



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

AAPG 6
June 2021

Audit and Assurance Practice Guide 6

**REPORT ON COMPLIANCE WITH PIONEER
STATUS INCENTIVE CONDITIONS APPROVED
UNDER THE PROMOTION OF INVESTMENTS
ACT, 1986**

AUDIT AND ASSURANCE PRACTICE GUIDE 6

REPORT ON COMPLIANCE WITH PIONEER STATUS INCENTIVE CONDITIONS APPROVED UNDER THE PROMOTION OF INVESTMENTS ACT, 1986

EFFECTIVE FOR REPORTS SIGNED ON OR AFTER 31 JULY 2021

Foreword

The Malaysian Institute of Accountants (Institute) has approved this Audit and Assurance Practice Guide (AAPG) for issuance to members for guidance.

A practitioner who is engaged to perform work on compliance with pioneer status incentive conditions approved under the Promotion of Investments Act, 1986 shall obtain an understanding of the conditions imposed on an entity and perform the work in accordance with the Malaysian Approved Standards on Related Services applicable to agreed-upon procedures, ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* to meet the requirements of Malaysian Investment Development Authority (MIDA).

The practitioner shall include the following statement in the relevant MIDA's form where the auditors' signature is required¹:

We have performed an ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* engagement on the applicant's information contained in this form in relation to the Promotion of Investments Act, 1986 to be submitted to the Malaysian Investment Development Authority. In our report dated [.....], we reported the procedures performed by us as agreed-upon with the applicant and our factual findings thereon.

Audit Firm Name and Number :
Signature :
Date :

¹ The practitioner includes this statement in the relevant MIDA's form when performing AUP engagements for clients in relation to their submission of application for various incentives.

This AAPG contains an illustration of a practitioners' report of factual findings where a practitioner is engaged to perform agreed-upon procedures on compliance with pioneer status incentive conditions approved under the Promotion of Investments Act, 1986 in accordance with the Malaysian Approved Standard on Related Services applicable to agreed-upon procedures, ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The procedures in the example are for illustration only and should be tailored accordingly.

The illustration does not cover the application of pioneer status incentive conditions approved under the Income Tax Act, 1967. However, it can be used as a reference.

The illustration has been reviewed and updated where necessary based on communication between the Malaysian Investment Development Authority and the Institute.

This AAPG shall be read in conjunction with the Preface to the Malaysian Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements.

Illustrative Report of factual findings for an engagement to perform agreed-upon procedures on compliance with pioneer status incentive conditions approved under the Promotion of Investments Act, 1986

To the Board of Directors of ABC Sdn Bhd

AGREED-UPON PROCEDURES ENGAGEMENT IN RELATION TO THE COMPANY'S SUBMISSION TO THE MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY ON COMPLIANCE WITH PIONEER STATUS INCENTIVE CONDITIONS APPROVED UNDER THE PROMOTION OF INVESTMENTS ACT, 1986 FOR THE FINANCIAL YEAR ENDED [DD/MM/YYYY]

We have performed the procedures agreed with you and enumerated below with respect to the Company's submission to the Malaysian Investment Development Authority (MIDA) on compliance with pioneer status incentive conditions approved under the Promotion of Investments Act, 1986 for the financial year ended [dd/mm/yyyy] which we have stamped for the purpose of identification with this letter, set forth in the accompanying schedules (Appendices X-X)², for which the Directors of the Company are solely responsible.

Our engagement was undertaken in accordance with the Malaysian Approved Standards on Related Services applicable to agreed-upon procedures engagements, ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The procedures were performed solely to assist you in the Company's submission to the MIDA on compliance with pioneer status incentive conditions approved under the Promotion of Investments Act, 1986 for the financial year ended [dd/mm/yyyy] and are summarised as follows:

1. Incentive Condition 1 (Appendices X-X) – Jumlah pelaburan dalam harga tetap (tidak termasuk kos tanah) hendaklah mencapai sekurang-kurangnya RM XX dalam tempoh lima tahun pertama bermula daripada [bulan/tahun] dan meningkat kepada RM XX selewat-lewatnya dalam tahun kesepuluh.
 - (a) We obtained the detailed list of the property, plant and equipment (excluding land cost) for the financial year ended [dd/mm/yyyy] and agreed to the audited financial statements for the financial year ended [dd/mm/yyyy].
 - (b) We obtained a detailed list of additions of property, plant and equipment (excluding land cost) for the financial year ended [dd/mm/yyyy] ("the additions list") and performed the following procedures:
 - i. We checked the mathematical accuracy of the additions list.

² The appendix refers to the information to be furnished to MIDA in relation to each condition.

- ii. We agreed the total amount in the additions list to the audited financial statements for the financial year ended [dd/mm/yyyy].
 - iii. We selected XX additions in the additions list and agreed the amount of each addition to original invoices and checked that the delivery dates of each addition were from [dd/mm/yyyy] to [dd/mm/yyyy], both dates inclusive.
- (c) We checked the computation of the total investment on property, plant and equipment for the period [dd/mm/yyyy] to [dd/mm/yyyy] to determine that it was not less than RM XX.
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
- (d) We checked the computation of the total investment on property, plant and equipment for the period [dd/mm/yyyy] to [dd/mm/yyyy] to determine that it was not less than RM XX. *[Remark: When the Company has reached the tenth year, the Company shall report this procedure in addition to procedure (c).]*
2. Incentive Condition 2 (Appendices X-X) – Perbelanjaan untuk aktiviti R&D tahunan hendaklah mencapai sekurang-sekurangnya X% daripada jualan kasar tahunan syarikat bermula pada [tarikh/bulan/tahun]
- (a) We agreed the sales amount to Gross Sales in the General Ledger for the financial year ended [dd/mm/yyyy].
 - (b) We obtained a detailed list of Research and Development (R&D) expenditure for the financial year ended [dd/mm/yyyy] and performed the following procedures:
 - i. We checked the mathematical accuracy of the R&D expenditure list.
 - ii. We agreed the total amount in the R&D expenditure to the General Ledger for the financial year ended [dd/mm/yyyy].
 - iii. We selected XX items of R&D expenditure in the R&D expenditure list and agreed the amount of each R&D expenditure to original invoices.
 - (c) We checked the computation of the percentage of R&D by dividing R&D expenditure over Gross Sales to determine that it was not less than X%.
3. Incentive Condition 3 (Appendices X-X) – Program pembelian bahan mentah/komponen tempatan hendaklah mencapai sekurang-kurangnya RM XX pada akhir tahun kelima bermula pada [tarikh/bulan/tahun] dan meningkat kepada sekurang-kurangnya RM XX pada akhir tahun kesepuluh.
- (a) We obtained a detailed list of purchases of raw materials/components, segregated between local and foreign vendors, for the financial year ended [dd/mm/yyyy] (“the purchase list”) and performed the following procedures:
 - i. We checked the mathematical accuracy of the purchase list.
 - ii. We agreed the total amount of purchases in the purchase list to audited financial statements for the financial year ended [dd/mm/yyyy]/monthly General ledger for the period from [dd/mm/yyyy] to [dd/mm/yyyy].

- iii. We agreed the total amount of purchases from local vendors in Appendices X-X to purchases of raw materials/components from local vendors in the purchase list.
 - iv. We selected XX local vendors in the purchases list and performed company search on Suruhanjaya Syarikat Malaysia website to check whether the vendors were incorporated in Malaysia.
 - v. For the samples selected, we agreed the amount of each purchase to original invoices and checked that the delivery dates of each purchase were from [dd/mm/yyyy] to [dd/mm/yyyy], both dates inclusive.
- (b) We checked the mathematical accuracy of Appendices X-X.
 - (c) We checked the computation of the total amount of purchases from local vendors in Appendices X-X for period [dd/mm/yyyy] to [dd/mm/yyyy] to determine that it was not less than RM XX .
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
 - (d) We checked the computation of the total amount of purchases from local vendors in Appendices X-X for period [dd/mm/yyyy] to [dd/mm/yyyy] to determine that it was not less than RM XX.
[Remark: When the Company has reached the tenth year, the Company shall report this procedure in addition to procedure (c).]
4. Incentive Condition 4 (Appendices X-X) – Sekurang-kurangnya XX keluaran siap yang berlainan dan baru dengan aktiviti nilai ditambah sebanyak XX% yang kini dijalankan di luar negara hendaklah dipindahkan ke Malaysia dalam tempoh lima tahun bermula [tarikh/bulan/tahun].
- (a) We obtained the detailed list of products with value added costing not less than XX%, produced overseas and moved to Malaysia for the financial year ended [dd/mm/yyyy] and agreed to relevant supporting documents³.
 - (b) We checked the computation of the total different products with value added costing not less than XX% produced overseas and moved to Malaysia within 5 years from [dd/month/year] and found that it was not less than XX.
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
5. Incentive Condition 5 (Appendices X-X) – Jumlah nilai “outsourcing” yang dipindahkan ke Malaysia kepada pengeluar tempatan yang tidak berkaitan hendaklah mencapai sekurang-kurangnya RM XX dalam tempoh lima tahun bermula [tarikh/bulan/tahun].

³ Specify the supporting documents inspected.

- (a) We obtained a detailed list of local vendor purchases previously outsourced for the financial year ended [dd/mm/yyyy] (“the list”) and performed the following procedures:
- i. We agreed to the total amount in the list to local vendor purchases previously outsourced for the financial year ended [dd/mm/yyyy].
 - ii. We selected XX local vendor in the list and performed company search on Suruhanjaya Syarikat Malaysia website to check whether the vendors were incorporated in Malaysia.
 - iii. For the samples selected, we agreed the amount of each purchase to original invoices and checked that the delivery dates of each purchase were from [dd/mm/yyyy] to [dd/mm/yyyy], both dates inclusive.
- (b) We checked the computation of the total outsourcing amount within 5 years from [dd/mm/yyyy] and found that it was not less than RM XX.
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
6. Incentive Condition 6 (Appendices X-X) – Syarikat hendaklah melibatkan sekurang-kurangnya XX buah syarikat tidak berkaitan untuk membekalkan sekurang-kurangnya sepuluh keluaran siap yang berlainan dan baru. Penglibatan ini hendaklah melalui kontrak atau surat tawaran dan hendaklah dilaksanakan dalam tempoh lima tahun bermula [tarikh/bulan/tahun].
- (a) We obtained the detailed list of vendors and agreed the name of vendor, period of contract and product details to the original agreement or letter of offer with each vendor.
 - (b) We obtained the Company’s group structure and compared the name of vendors to the Company’s group structure and checked that they were not subsidiaries/associates/holding companies of the Company.
 - (c) We checked that there were not less than XX vendors.
[Remark: This procedure is only applicable when the Company has reached the fifth year]
 - (d) We obtained the sales catalogue and agreed the details of the products to the sales catalogue of the Company.

[For conditions not specified in this illustrative report, insert details of the agreed-upon procedures performed. These procedures must be consistent with those specified in the engagement letter.]

We report our findings below:

- a. With respect to item 1,

- (a) The property, plant and equipment (excluding land cost) for the financial year ended [dd/mm/yyyy] is in agreement with the audited financial statements for the financial year ended [dd/mm/yyyy].
 - (b) We obtained a detailed list of additions of property, plant and equipment (excluding land cost) for the financial year ended [dd/mm/yyyy] (“the additions list”) and found the following:
 - i. The additions list is mathematically accurate.
 - ii. The total amount in the additions list is in agreement with the audited financial statements for the financial year ended [dd/mm/yyyy].
 - iii. For the selected additions, the amount of each addition is in agreement with the original invoices and the delivery dates of each addition are from [dd/mm/yyyy] to [dd/month/year], both dates inclusive.
 - (c) The total investment on property, plant and equipment for the period [dd/mm/yyyy] to [dd/mm/yyyy] was not less than RM XX.
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
 - (d) The total investment on property, plant and equipment for the period [dd/mm/yyyy] to [dd/mm/yyyy] was not less than RM XX.
[Remark: When the Company has reached the tenth year, the Company shall report this procedure in addition to procedure (c).]
- b. With respect to item 2,
- (a) The sales amount is in agreement with Gross Sales in the General Ledger for the financial year ended [dd/mm/yyyy].
 - (b) We obtained a detailed list of R&D expenditure for the financial year ended [dd/mm/yyyy] and found the following:
 - i. The R&D expenditure list is mathematically accurate.
 - ii. The total amount in the R&D expenditure is in agreement with the General Ledger for the financial year ended [dd/mm/yyyy].
 - iii. For the selected items, the amount of each item of R&D expenditure is in agreement with the original invoices.
 - (c) We checked the computation of the percentage of R&D and found that it is not less than X% of the Gross Sales.
- c. With respect to item 3,
- (a) We obtained a detailed list of purchases of raw materials/components, segregated between local and foreign vendors, for the financial year ended [dd/month/year] (“the purchase list”) and found the following:
 - i. The purchase list is mathematically accurate.
 - ii. The total amount of purchases in the purchase list is in agreement with the audited financial statements for the financial year ended

- [dd/mm/yyyy]/monthly General ledger for the period from [dd/mm/yyyy] to [dd/mm/yyyy].
- iii. The total amount of purchases from local vendors in Appendices X-X is in agreement with purchases of raw materials/components from local vendors in the purchase list.
 - iv. For the selected XX local vendors, the vendors were incorporated in Malaysia.
 - v. For the samples selected, the amount of each purchase is in agreement with the original invoices and the delivery date of each purchase were from [dd/mm/yyyy] to [dd/mm/yyyy], both dates inclusive.
- (b) Appendices X-X are mathematically accurate.
 - (c) The total amount of purchases from local vendors in Appendices X-X for period [dd/mm/yyyy] to [dd/mm/yyyy] was not less than RM XX.
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
 - (d) The total amount of purchases from local vendors in Appendices X-X for period [dd/mm/yyyy] to [dd/mm/yyyy] was not less than RM XX.
[Remark: When the Company has reached the tenth year, the Company shall report this procedure in addition to procedure (c).]
- d. With respect to item 4,
- (a) The details of each product with value added costing not less than XX% produced overseas and moved to Malaysia for the financial year ended [dd/month/year] are in agreement with relevant supporting documents⁴.
 - (b) The total different products with value added costing not less than XX% produced overseas and moved to Malaysia within 5 years from [dd/mm/yyyy] was not less than XX.
[Remark: This procedure is only applicable when the Company has reached the fifth year]
- e. With respect to item 5,
- (a) We obtained a detailed list of local vendor purchases previously outsourced for the financial year ended [dd/mm/yyyy] ("the list") and found the following:
 - i. The total amount in the list is in agreement with the local vendor purchases previously outsourced for the financial year ended [dd/mm/yyyy].
 - ii. For the selected XX local vendors, the vendors were incorporated in Malaysia.

⁴ Refer Footnote 3.

- iii. For the samples selected, the amount of each purchase is in agreement with the original invoices and the delivery date of each purchase were from [dd/mm/yyyy] to [dd/mm/yyyy], both dates inclusive.
 - (b) The total outsourcing amount within 5 years from [dd/mm/yyyy] was not less than RM XX.
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
- f. With respect to item 6,
- (a) The name of vendor, period of contract and product details are in agreement with the original agreement or letter of offer with each vendor.
 - (b) The vendors were not subsidiaries/associates/holding companies of the Company.
 - (c) There are at least XX vendors.
[Remark: This procedure is only applicable when the Company has reached the fifth year.]
 - (d) The details of the products are in agreement with the sales catalogue of the Company.

[For conditions not specified in this illustrative report, insert findings of the agreed-upon procedures performed accordingly.]

Because the above procedures do not constitute either an audit or a review made in accordance with the Malaysian Approved Standards on Auditing or Malaysian Approved Standards on Review Engagements, we do not express any assurance on the accompanying schedules (Appendices X-X).

Had we performed additional procedures or had we performed an audit or review in accordance with Malaysian Approved Standards on Auditing or Malaysian Approved Standards on Review Engagements, other matters might have come to our attention that would have been reported to you. Hence, we make no representation regarding the sufficiency of these procedures for your purposes. In addition, the procedures performed were not designed and cannot be relied upon to reveal fraud or irregularities that may exist. We also have no responsibility for updating the procedures performed or performing any additional procedures.

Our report is solely for the purpose set forth in the second paragraph of this report and for your information and submission to MIDA and is not to be used for any other purpose or to be distributed to any other parties. We accept no duty, responsibility or liability to any party, other than you, in connection with this report or this engagement.

[Practitioner's signature]

[Date of the report]

[Practitioner's address]



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